

ISSUES FEMALE STARTUP FOUNDERS FACE WHILE APPLYING FOR EXTERNAL FUNDING IN FINLAND

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Objectives

The main objectives of this study was to investigate what kind of issues female startup founders face in Finland, and whether the fact that Finland is perceived to be very equal society affect the issues.

Summary

Altogether eleven semi-structured interviews were conducted. Four interviews were conducted with female startup founders, three with male founders and four with representatives of different venture capital firms. Multiple patterns could be identified from the interviews. The main patterns include: female founders do not feel they experience discrimination, female founders often receive positive discrimination in the form of press or event coverage, female founders are considered more focused and determined than male founders on average and underlying issues very likely affect female founders in the technological startup industry.

Conclusions

The hypothesis proved to be quite correct, but still multiple surprising factors surfaced. This makes the findings important and contributes to the research of the field. It would be recommended to research the subject in greater detail. Quantitate research in particular, on female startup founders would be needed.

Key words: *entrepreneurship, financing, Finland*

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1. INTRODUCTION

1.1 Background

Multiple studies have detailed the hardships female founders face while raising funding, for example raising considerably less funding than men in the starting year, and the four years after that (Robb & Coleman, 2010). Even though females are founding more business, the growth and size on the average is less than those firms owned by men. Access to funding has been thought to be the culprit in multiple studies (Neeley & Van Auken, 2009).

Even though generally financing female owned firms is already difficult, it is even more challenging for technology-based firms (Robb & Coleman, 2010). This is due to the lack of assets in such firms, and new untested products. In addition to this, it appears women have showed preference for internal financing sources, where men seem to prefer external (Greene et al, 2013). Also, women tend to use less capital overall as well to start and run their businesses (Coleman and Robb, 2009; Orser et al., 2006). Funding is crucial to a new ventures development and can cause multiple hardships as (Timmons, 1999) points out: “delays in R&D, ineffective marketing and inability to hire qualified personnel”. Therefore, the amount of finance is a strong determinant on how well the business will perform (Manolova et al, 2005). External financing can be seen as even a better determinant for success as it validates the business from an outsider perspective (Burt, 1992; Florin et al., 2003). The topic of female founders raising external funding then becomes crucial since less than 2.5% of venture capital companies in 1997 were women-owned in the USA (Greene et al., 2001). Finland however is relatively gender equal country in the world, as it ranks 2nd best in the 2016 Gender Gap report by World economic forum that considers e.g. economic participation, education levels, health and political power (World Economic Forum, 2016).

1.2 Research objectives

This thesis will explore the different issues faced by women while raising first rounds

of external funding in Finland, with a focus on technologically minded founders and companies. This field is hardly touched upon, especially in the Finnish context. The research questions will include: The issues faced by female founders in Finland and does the perceived high equality in Finland affect the potential for female founders receive funding in Finland. The thesis will be structured so that first there will be considering relevant literature in the field, and then I will be discussing through content analysis on semi-structured interviews, and statistical data on female entrepreneurship in Finland. After that there will be overall analysis, and suggestions for future research.

2. LITERATURE REVIEW

2.1 Issues faced by female founders

Literature has identified multiple issues facing female founders seeking to find funding. Neeley & Van hauten, 2009, proclaim that even though the contribution of female-owned firms is rising, access to funding remains a restraint for launch, growth and success. There have been studies pointing into multiple different directions, from (Coleman, 2002) pointing out that women may have harder time getting loans. On the other hand, other sources point that female company founders might have access to different financing option (e.g. family and friends) and therefore might not require as much other funding. As Coleman, 2000, notes women are simply less likely to utilize external financial options and as (Carter et al, 1997) found women might have different funding strategies and principles.

One of the biggest issues raised, might be that culturally female founders are less likely to ask for funding to begin with (Kwapisz & Hechavarria, 2016). This points evidence to also how female founders manage social relations and utilize their networks. The issue of financing is important because it is often the critical building block to start a firm, and it is often the issue faced in the beginning stages of firms (Coleman & Robb, 2009).

2.2 The best practices of raising funding

The factors that go into receiving funding can be obviously complicated, but even they

can be somewhat simplified and characterized. For example, according to (Neeley& Van Auken, 2009) education of the entrepreneurs' is an important factor of human capital, and human capital would be leading to access to financial capital. Carter et al. (2003) pointed out that education also greatly increases women founders' chances of gaining external capital, e.g. loans. This notion of formal education playing a big part in human capital is particularly interesting since, women have been outperforming males in statistical measures in higher education in developed nations for a while (DiPirete & Buchmann, 2013). Even though women are well represented in numbers in higher education, but less women choose, attend and complete programs in the STEM fields, e.g. even though 57% of college graduates in USA are women, only 14,8% of engineers in the workforce are women. (Horting, 2016). This notion is particularly important, because this thesis focuses on technology minded companies.

2.3 Technology companies, attitude and human capital

One important factor is the technology mindset, human capital and the attitude of women to building high growth firms. The major challenge of this field, is the fact that since there are so few women owned technology based ventures, studying them is quite hard (Robb & Coleman, 2010) Often it has been assumed that women would not be so interested in high growth business building (Robb & Coleman, 2010) but the Diana project is tackling the issue (Brush et al., 2001). They have concluded that the new generations of women entrepreneurs are more ambitious, and start more firms in technology and bioscience (Brush et al., 2001). On the other hand, it has also been found out the women have less expectation of growth and then achieve less growth (Robb & Coleman, 2010).

As there are few matters that factor to the success of the firm, it has been noted in a study that women performed worse in many factors (work experience, experience in starting business, average work hours per week, and likeliness of having a graduate degree) on average. (Robb & Coleman, 2010). Even though they are small differences, it does present a trend.

2.4 Startup financing methods

2.4.1 Venture Capital

Venture Capitalists (VCs) is a term to describe organizations, who manage funds that can be invested into companies. Different venture capitalist firms might specialize into different fields or business areas. Venture capital funds are not usually funded by individuals, instead are backed by institutional funders such as banks, insurance companies or pension funds. (Schmidt, 2014)

Traditionally venture capitalist finding happens after internal funding (own money, debt etc.) and possibly after being funded by an angel investor. The amount of capital in play also is usually bigger, anything ranging from 100 million to 500 million American dollars. (Schmidt, 2014). The authors of the Diana Project (Brush *et al.*, 2001), discovered that women entrepreneurs got only 4.8 percent of venture capital funding for the period of 1953 to 1998. Robb & Coleman (2010) pointed out as well that venture capital funding is often the end road of raising capital, with multiple other finance forms taking place before that.

When investing, the founders acquire equity from the financed company. This leads to loss of control from the entrepreneur's perspective. However, it can be noted that the purpose of investment is not to overtake the company, but provide tools for the founders for success (Schmidt, 2014). Venture capital funding however does not rely on guidance and experience sharing as much business angel funding does.

Corporate venture capitalists is when a corporation takes on the role of venture capitalist. This usually occurs if the startup in question has a similar innovation, product and business model as the corporation and is a way for the corporation to include external innovation to its portfolio. This happens in all stages of financing, but normally occurs in the later stages. This method scares startups due to patent and copyright laws.

2.4.2 Business Angels

The term describes an individual person who funds private ventures with their own private money, according to the general definition of the term. However, as defined by "The US Securities and Exchange Commission, under Rule 501 of Regulation D in the Securities Act of 1933" (Markova, 2010) There, an investor is defined as an individual who either has 1 million net worth (with or without spouse) or individual with an income exceeding 200,000 American dollars. Together with a spouse, the combined income limit is 300,000 American dollars. Angel investors are also usually also entrepreneurs or previous entrepreneurs looking to fund similar projects as their own (Schmidt, 2014).

Markova (2010) tells that business angels have formed into groups, associations and coalitions to increase investment power and visibility for their ventures. By grouping together, business angels have more negotiation leverage, and manpower to investigate the ventures before investing. This is in addition to the obvious benefit of diversifying risk. This development has created notable collations of angels, such as Band of Angels and FIBAN (Finnish business angel network) in Finland. (Brush *et al.*, 2004) also pointed out that few women have cumulated enough wealth to become investors and business angels.

Business Angel funding usually happens in the beginning stages in the company, meaning in the seed and start-up phase, when ideas are being formed and tested out. This usually develops the founders and investors relationship to a more personal and provides meaningful impact from the input of the investors. The amount of capital required to fund is also smaller in the earlier stages, which is more suitable for angels taking a personal and individual risk (Markova 2010). Sometimes founders prefer angel funding over venture capital, because of the closer relationship and personal guidance it provides. The process can also less bureaucratic when dealing with an individual person.

2.5 Other forms of financing

2.5.1 Bootstrap

This is the action of cutting down on expenses, and decreasing the shareholders' profits and the compensation of the founding entrepreneurs. (Feldman, 2013). This a common method of financing, but however often gets overlooked because people rarely think of it has financing their business. However, it is method for a company to finance itself which means that regardless of the critics deserves its place. Female and male founders use of bootstrap finance does not differ too much, but the differences appear relative to age, education, sales and overdraft privileges (Neeley & Van Auken, 2009).

2.5.2 Government financing

Governments often have many funding options and programs. However often government financing requires starting capital (Feldman, 2013) therefore new startup founders might not have immediate access to the funds in these programs.

2.5.3 Bank financing

Usually for a new starting company loans are the most common method of financing (Robb & Robinson, 2012). However, it is often hard to attain for startups due to the lack of self-provided starting capital and bad credit scores. Due to most startup founders are relatively young. This makes bank financing somewhat harder method to rely on for startup founders.

2.5.4 Friends and family

This is the most common form of pre-seed and seed funding for startups generally, since the easiest way to get money is from people who have a personal connection to you. This has even coined a phase in the startup world as the first money comes from

“the three Fs, friends, family and fools”. Having all the popularity the method has due to its easy access, it can make some founders uneasy. This caused by the notion of loaning money to one’s immediate circles can cause unwanted tension. This form of funding appears to be particularly popular among women, since women tend to form close and tight relations (cater et al, 2002)

2.6 Female entrepreneurship

The hardships of gaining funding for female owned high growth technology companies, is a field that would have been researched more. Funding of startups has research backing it, however since the field is predominantly male founders it means that the studies will have also focused on male founders. There are studies considering funding of female owned business, and the common factor that surfaces is that females appears to be attracting less external funding (Cater et al, 2002) However the reasons for this is debated upon. There are three common factors playing into whether a venture gets funded or not: social capital, human capital and experience in starting and running a business (Carter et al. 2002). These factors can be discussed in detail and compared between female and male founders. Multiple studies over the years have shown that on the average, women have less human capital than men (Rachman-Moore, Almor & Kogman, 2007). Human capital can for example be visible in education background, and women are less likely to go into STEM fields meaning that their educational background is not desirable in the high technology field. (Carter et al. 2002) This would suggest that the reason behind lack of funding might be due to societal factors. Females are also perceived to be more risk averse, which usually leads to avoiding bootstrapping financing. However, bootstrapping funding seems to be good indication of venture success (better negotiation terms on later rounds etc.) How experience affects bootstrapping is debated though, per Westhead and Wright (1998) founders with experience were more likely to self-fund their projects but per finding by (carter et al, 2002) it does not have such correlation.

One example of a social issue, that per many studies might be affecting women is the “Women don’t ask” issue (Kwapisz & Hechavarria, 2016). Kwapisz & Hechavarria found out that on the average, one thing holding back women was the lack active asking and pursuing financing. Similar findings have been discovered, that show women asking for less pay and therefore receiving less pay in the law profession (Rachman-Moore, Almor & Kogman, 2007). Women have also been found to be more risk averse than men, in many studies (Sarin & Wieland, 2015). In addition to this, it has been studies that women and men are less risk averse in fields that are stereotypically connected to them (eg. Technology and men, fashion and women) Wieland & Sarin, 2012). This is particularly interesting, since women are not stereotypically thought to be technical and this is the topic of this study. In addition to this (Manolova et al, 2005) have found that women do not utilize their social networks as well as men, and since networks are big part of raising external funding, it might be disadvantaging women (Manolova et al, 2005). Many of these kinds of factors play into the financing of women owned ventures.

2.7 Women in the workplace

Even though it is generally agreed upon that women in the workplace have come a long way, it is also acknowledged that improvements are still needed and discrimination exists (Gregory, 2003). This thesis is not focusing on e.g. sexual harassment or discrimination, but women’s leadership, professional image and career generally have an impact into the readiness to raise funding as well. The issues women face at workplaces are prevalent especially in management, with 64% of leaders is still men (Zenger & Folkman, 2012). However, women in the same questionnaire were consistently ranked better leaders in almost every metric. This led to the conclusion that women would have to prove themselves even more than men must in the workplace, to advance to leadership positions (Zenger & Folkman, 2012). These issues can also be seen in the academia as well, where women earn about half of the doctorates but only 21% of full science professors and 5% full engineering professors (Shen, 2013). This goes to show that even though women have access to higher education and possibilities, often in especially male dominant fields tend to underperform statistically.

Many workplaces and programs are trying to combat the issues faced by women at the workplace, such as adopting family friendly policies (Shen, 2013) or proving info and educating people. Joan C. Williams is doing that by speaking about gender bias and strategies to overcome them. Gender biases for women can include having to prove oneself multiple times, perceiving as mother first and employee second (hence seeming less devoted to work), and having to balance between likeable and achiever role (Williams, 2015). William also offers ways to combat these issues such as teaming up and creating peer groups and strategically choosing which tasks to handle and how to present oneself.

2.8 Nordic perspective

The Nordics and Finland are perceived as a very equal society (World Economic Forum, 2016), where opportunities are mostly the same for each gender. However even in this environment female entrepreneurship is lacking behind, and has a lot of catching up to do. In general, even though the government and other parties have encouraged entrepreneurship for example in Finland, it appears that the amount of entrepreneurs might even be in decline (Brännback & Carsrud, 2008). This is however something, that is attempted to actively change. Global entrepreneurship monitor ranks countries based on their entrepreneurial level, and support systems. Finland for example ranks very high in governmental support for entrepreneurship (GEM, 2015) and e.g. societal factors as fear of failure is lower in Finland than on average on other EU countries. The early stage entrepreneurial activities have also increased, a bit under 7 % of the adult population is involved in activities (GEM, 2015).

3. METHODOLOGY

3.1 Hypothesis

This thesis will be attempting to explain the different issues faced by women while raising first rounds of external funding in Finland, with a focus on technologically

mindful founders and companies. The hypothesis is since Finland is rather egalitarian society, there is less discrimination in Finland compared to women founders elsewhere. However, there would be some differences to attaining funding in Finland as well, compared between men and women. This could manifest itself in e.g. funding in later stages, trouble reaching out to investors or not having strong enough of a social network.

Semi-structured interviews were conducted to explore the matter further, and analyze data from government and organizational sources on the state of female entrepreneurship in Finland. The research questions included: The issues faced by female founders in Finland, does the perceived high equality in Finland affect the potential for female founders receive funding in Finland, and what is the common stage to receive external funding.

3.2 Conceptual model

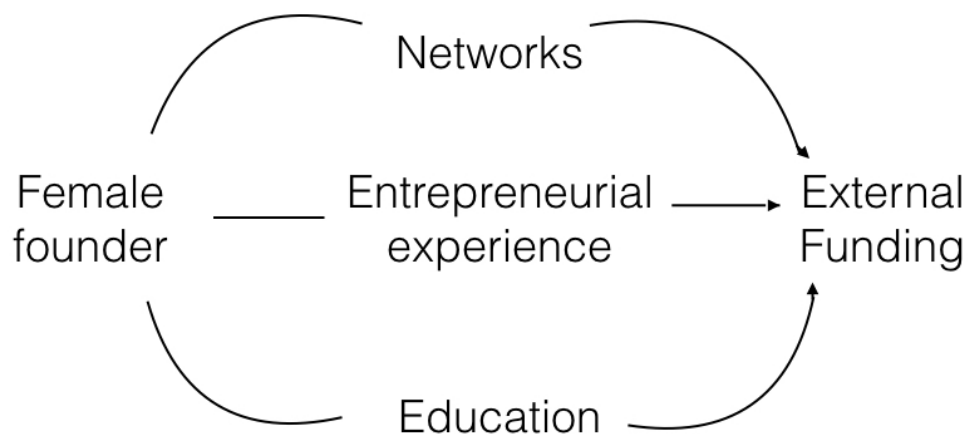


Figure 1: conceptual model used.

Model used to describe the most important components for receiving external funding is illustrated in Figure 1.

3.3 Semi-structured interviews

The research of this thesis consists of 11 interviews. Four female startup founders, three male founders and 4 representatives of venture capital firms. The interviews have been conducted in a semi-structured manner. This means that in interviews a set of questions and some background questions are always asked. If interesting points arise, more precise questions have been asked to expand on those thoughts and matters at hand. All the individuals being interviewed are in highly technological fields.

3.3.1 Questions for female founders

1. How old is your company?
2. What your role in the company?
3. Who handles raising of external funding in the company?
4. What kind of funding have you raised? (VC, angel etc.)
5. How much have you raised funding?
6. How did you raise the funding?
7. How did you reach out to investors?
8. What is the gender ratio in your company?
9. What is the average age of the company's founders?
10. At what stage did you choose to apply for funding? Why?
11. Do you have a specific goal of receiving external finance, or is it means to an end?
12. Did the treatment of women affect your decision to raise external funding?
13. Has being a female founder affected how you interact with external financiers?
14. Has being a woman affected how you are perceived by Finnish external financiers?
15. How have seen the other countries approach to funding differ from Finland?
16. Have you experienced different kind of treatment from people outside from Finland?
17. Have you encountered discrimination in Finland while applying for funding?
18. Does the perceived high equality in Finland create a situation in which gender

does not play a role when entrepreneurs seek external funding?

3.3.2 Questions for male founders

1. How old is your company?
2. What your role in the company?
3. Who handles raising of external funding in the company?
4. What kind of funding have you raised? (VC, angel etc.)
5. How much have you raised funding?
6. How did you raise the funding?
7. How did you reach out to investors?
8. What is the gender ratio in your company?
9. What is the average age of the company's founders?
10. At what stage did you choose to apply for funding? Why?
11. Do you have a specific goal of receiving external finance, or is it means to an end?
12. How have seen the other countries approach to funding differ from Finland?
13. Have you experienced different kind of treatment from people outside from Finland?
14. Have you seen female founders face discrimination?
15. What issues female founders could be facing?
16. Does the experience of female founder differ internationally compared to Finland?

3.3.3 Questions for external financiers

1. What does your venture capital firm focus on?
2. How large is the fund?
3. What criteria do you use to evaluate startups?
4. How many startups do you meet on average, and what is the ratio of which get funded?
5. Do startups founders find you or them you?
6. Are you familiar with other markets than Finland?
7. Have you seen female founders face discrimination?

8. What issues female founders could be facing?
9. Does the experience of female founder differ internationally compared to Finland?

4. FINDINGS

4.1 Interviews with female founders

4.1.1 Female founder A

The first company interviewed, is a startup that has raised a FFF round, governmental funding, bank loan and has had multiple discussion with VCs and business angels in Finland and abroad. They have received suggestions and offers from business angels, but have turned the offers down. While speaking with the female founder, the underlining theme was that she did not see gender being an issue while raising funding, nor has faced any clear discrimination. However, she was not sure but expressed more concern over other issues faced such as age discrimination, and the difficulty of finding a suitable angel investor. This company faced more troubles with finding business angels in their field of operation (social entrepreneurship). She did not express highly strong motivation to raise external funding, and treated it more of a obligatory procedure.

The reason for funding for this company was simply to pay the bills. However, the company was born global and has received external funding from the start to help with travelling expenses. The founder felt that at least the Finnish startup and finance scene is very equal, and provided equal opportunities. For them having all three-founder's female had presented new possibilities, as female investors had reached out to them and easily provided guidance. It was described as "Women together fighting for better world". However, she felt that the biggest issue receiving funding was that very small number of people have experience from their field in the financier side, and that business angels often failed to understand what and how they were doing what they

were doing. This could be speculated to be connected to the fact that the company is in a field fairly perceived as women centric field. (social entrepreneurship empowering developing countries).

4.1.2 Female founder B

The second female founder I interviewed was a sales director at a two-year-old technology startup which has raised altogether 250k from 10 business angels. She had raised the money together with the CEO of the company, but she had handled the pitching herself. They have raised money from governmental sources and business angels only. After participating to a Finnish accelerator program, Startup Sauna, they acquired a network that helped them to raise money relatively easily. They also participated to pitching events by FIBAN (Finnish business angel network), where they also received funding. The company raising funding to accelerate growth, since they already had a product and paying customers. She felt that being a female founder has not impacted her nor the company negatively in any way, instead saw that it has given her and the team positive attention. She also pondered though how much of the positive attention has come through the fact that they always go for new opportunities and never say no to publicity. She has only experienced positive discrimination internationally as well, but the company has no international investors.

She also felt that it is easier to interact with Finnish investors and clients, even though “Finnish investors give only small amounts.” The biggest issues that financiers have had with their company was that none of the founders had started a company before, which she felt was a justifiable concern. Generally, she felt like having a woman on the team was considered “odd and irregular”, and rarer which meant that more positive attention was given. She stressed that a good team has different kind of people and people of different backgrounds. In the end of the interview she expressed concern over women in the workforce with one matter: pregnancy. She felt that the physical stress and burden women with childbearing, affect how young women are perceived in the workforce and possibly through investors eyes.

4.1.3 Female founder C

The third female founder interviewed was a female founder and CEO that has raised altogether 300k, and is closing their third round worth half a million in few weeks. It is a very technical company with a female co-founder CEO. She is the only non-technical founder, and has handled the fund-raising process mostly independently. The company raised the first small amount of funding a bit over a year after being established, and first small round a bit under 2 years of starting. It has included money from governmental programs, but mostly consisting of business angels. With 5 people, and average age of 30 and first raised funding for proof of concept and after that have raised money for accelerated growth.

They have raised money through FIBAN (Finnish business angel network) events and connections, and by leveraging local Finnish accelerator programs. They also have international business angels as investors. While raising funding their main issue for not receiving funding were not being far enough and have on average gone through 100 people to receive funding from 5 angels. She does not feel that being a female co-founder has caused any issues for her while fundraising, she even felt like they have gotten extra positive attention for having a female abroad. She also felt strongly that women founders do not face discrimination, but on the other felt that women should be encouraged and be provided with more positive role models from startup scene, tech field and entrepreneurship.

4.1.4 Female founder D

The fourth female founder interviewed, is building a tech startup and has a tech background herself. She, as the CEO, has raised 26k to start the development of their product, and the company is in the pilot customer phase. She had gathered most of the money from startup competitions, accelerators and boot camps and part of the funding came from Finnish government bureaus as well. She described that the hardest part about raising funds has been convincing people, and explain the intrigue tech solutions of their product. The strong point that they have, however is the

according to her are very much the tech and product design they have. They are a pioneer in their own field, which means that they have many advantages as the early bird. When asked if being a woman has affected her, she answered that she has not really considered or thought about it so she assumed no.

After some consideration, she thought that women might have easier time getting press coverage or attention in the tech scene since they are rarer. When asked, if Finland would differentiate from the rest of the world regarding the treatment of women the answer was very fast yes. The founder has long history with China, and felt that in there you encounter a lot more traditional attitudes and people might have old fashioned way of thinking women in business. She also thought felt like there has been a lot of process, and that things have gotten better in recent years. She gave credit to the establishing of bigger cities, and changing business climate with more women working in China. In addition to this she emphasized that if everything lines up well, and the numbers are good women would not have trouble in China either. She said that “if the opportunity is good, investors will grab it”. She also said she had not faced discrimination for being woman in Finland, and finds rather that the e.g. language (not knowing the Finnish language) might be more hindering factor than gender.

4.2 Interviews with male founders

Altogether four male founders were interviewed, that were the driving forces behind the business. None of these companies at the time of raising funding had any women working at the company either.

4.2.1 Male founder A

The first male founder interviewed, was an entrepreneur who raised 100k for a technology firm, and has since expanded his team from a few to 10. The entrepreneur is not originally Finland, and does not speak Finnish. He raised the money from governmental programs, investment from friends and family, from his larger social

network and from business angels. He acquired the funding to “take the business to the next level, or even to create a business”. And had a very clear and precise approach to getting money.

During the funding round, he said he learned multiple lessons, such as VC companies were not the right fit for him and his company, and that angels are trickier but might bring a lot of value if the right circumstances are met. The final money he received was simply from using his social contacts, and posting about his company to Facebook. This made his vast network reach out to him, and to provide small investments. When asked about could gender affect acquiring external financing in any way, he replied “gender does not affect at all, zero effect”. He felt very strongly there is no discrimination etc. He spoke about the passion needed to drive a business the amount of dedication needed. When asked to compare Finland to other countries, he said it all comes down to networking. He thought that women founders do not reach out, and he described the tech world being closer to dating. The women expect the men to reach out to them, and males are more comfortable reaching out to other males, as well as women to females. He also had tried to recruit female employees, and it was not success. He to his own words had tried hard and not a single woman had reached out.

4.2.2 Male founder B

The second male founder interviewed is the CEO of a gaming startup that has raised 200k and 50k from Finnish governmental financing institution TEKES. They raised the money in partnership with a funding partner for gaming companies. Through the firm the company received contacts and sent out emails automatically. The founder credited the service as being a great part of the successful round if not the biggest reason for it. Their reason for applying for funding, was to continue the game development and pay the founders’ bills and expenses. He said that they chose the timing since they had a demo ready, which is an easy way to showcase to investors what they have already created. He also felt that investing in the game industry divides business angels very much, some preferring it and some not.

He felt that most important component for them receiving funding was to find the correct investors. The team of the company is also very experienced, and that ignited the interest of many investors. He sees that there is a great possibility women might be discriminated against, but himself feels that there is, if there is, only a slight difference between female and male founders. He also started thinking and discussing how dating life affects women, and the potential to receive external funding. He felt that since men usually pay during a relationship, this might affect how people perceive women and money in general, since most investors are male. He also felt that parenthood is probably causing differences in how much the genders focus on their careers, and felt that that could be causing inequality.

4.2.3 Male founder C

The third male founder interviewed has raised around half a million euros, from private companies, government bureaus such as TEKES and ELY, business angels and friends, family and fools. He explained that he's experience was much that "When you ask for funding you get advice, and when you ask for advice you get funding". The company went through multiple negotiation stages with multiple people, and utilized many sources to fund their business. The funding has been handled by the CEO of the company, since he has previous entrepreneurship experience.

While applying for funding he said he learned that the two things that in his perspective matters are: revenue and growth. He did also proclaim that networks are the tool to get the funding then. When they first started applying for funding, they successfully acquired multiple meetings but were often met with positive answers but that the numbers need more work, and they needed to come back later.

He also felt that investors often either invest with hear or with analytical mindset, and then the business and reason to invest are very different. He also expressed his

concerns over the Finnish business angel scene, as he felt that people quite often were not as serious about investing as they let people believe them to be. He felt that angel investing was a “cool elitist hobby” rather than serious business matter. The founder knows a high-profile female founder and successful entrepreneur closely, and had discussed how women are treated in the startup scene with her. He had understood that there might be some belittling and women might not be taken seriously as fast as men.

However, he noted that after female founder had more experience under her belt the experience changed. After a female founder had one successful company, the next venture was relatively easier to start and people and investors would not question matters. He also felt that family and children might be hindering women a bit more, but also said that the ones who can balance family and work life are “superheroes, that I admire greatly”. He also said that the women founders he has interacted with, are even more hungry, resilient and efficient than male founders on average. He pondered if going through more hardships would polish the female founder’s skills even more. He did also feel that in a technological field women founders might be brought up to the pedestal a bit more often, due to the rareness of the situation.

4.3 Interviews with financiers

Altogether in the process of this thesis I interviewed three venture capital companies, and people there who are directly responsible for making decisions regarding financing of new ventures.

4.3.1 Financier A

The first financier interview conducted was with a company with a very clear target company type. The firm was also heavily invested in technology, and especially the IT-scene in Finland. They have two funds, where the other one is solely focused on funding companies by previous employees of big company. The other fund finances other ventures as well, and has larger international scope as well as is open for other firm types as well as spin offs. However, both funds have a very tight focus on

technology. The VC company has financed altogether 10 companies and 2 have exited so far. 4 companies have been funded by the first fund, and 6 by the later. The VC firm has financed few companies with women in the founding team, but none where the main entrepreneur would have been a woman. However, one company had a female CEO that was running the business through the financing round. The partner at the VC firm felt that there are not many differences between females and males, either in running business nor in acquiring funding. He did note that women might have a more holistic approach to applying for funding, where they describe the business in more broader terms where as men might be straightforward. The partner felt very strongly that there is no discrimination nor there would be anything wrong with the women applying for funding, it is not due inferior technology studies e.g. He emphasized that women with a good business plan and dedication, are just as likely to get funding as are men. They found funding prospects mostly through use of social networks, and recommendations, on few rarer cases did firms reach out to them. Their main criteria for financing are: already million euros in revenue, a core technological innovation and potential to expand internationally in a fast manner.

The VC firm has also spread to Germany and the other Nordic countries, and here he expressed that you can see a clear divide between the Nordics and south-Germany: Nordic countries appeared more equal and less “chauvinistic”. He though theorized as well, that it might be due to their heavy focus on family owned firms and technology. He expressed strongly that he has seen no discrimination in Finland, but also pondered about the different qualities needed to become an entrepreneur: dedication, and very strong drive to get forward. He thought that maybe these qualities are not on average so prevalent in women, but then saw that if women possess these qualities they were even more “powerful and drove the business even faster”.

4.3.2 Financier B

The second Venture capital firm was also very specialized. They are an accelerator and a VC company, that focuses on a specific sector. They take in team to their accelerator, and then fund small number of them. The decisions are made my multiple

people, with partners, mentors of the accelerator and employees of the VC company. The guidelines for funding new ventures are: how well they proceed in the accelerator program, the team and the idea. To the accelerator on the other hand they have a bit different selection criteria, with a demo or an MVP (Minimum viable product) being an important factor.

They also invite the teams for few days to their premises before the accelerator to see how well they fit to the community and how the mentors work with them. They have invested to multiple teams, and few teams have gone on to raise more money and more rounds. They also have invested to two female founder lead teams, and they have recently had 50% of their accelerator startups have at least one female member. They find teams from multiple of channels, anywhere from teams finding them, to referring and social media advertising. The employee of The VC firm felt that there is no difference how women are treated in the Nordics in the startup and in the financing scene, she felt however that there are too few women in tech and in entrepreneurship in general. She also had noticed that since joining the operation, more women had started to join and apply.

She expressed that is probably a correlation of seeing women in the same context. She also noted that being a female founder might be seen in positive light and might bring forth more positive attention generally. She also underlined that women in the Nordics are in a very good position compared to internationally, she did not have much experience with the startup financing sector outside of Finland but had international working experience. She really felt that in the Nordics and in Finland things are particularly good for women, and “women can be more independent”. One of the issues she felt that women entrepreneurs might be facing that they build companies revolving around personal problem, that takes you to certain point but might not take further than that. She also pondered that women might have trouble being confident, and told an analogy of applying for a job: when a woman sees a job advertisement and feels that she only fits 80%, she might not apply. Men on the other hand might see that they for 40% and apply. She also pondered around the fact that that women might not have

enough confidence to ask for funding. She also thought about how raising family affects women's careers, and told that she does not see many women between the ages of 25 to 40 being entrepreneurs, but then see more in their early 20s or in their 40s. So, during the family and childbearing age, women might deter from entrepreneurship.

4.3.3 Financier C

The third venture capital firm interviewed was one focused on ventures by young people and students, with around 1 million to invest. The most important factor for their investment decisions was the global potential for impact, in addition to this they were focused on the team, the market potential. If there would not be immediate visible market, at least potential for a few pivots. The firm has made two investments, and one of the companies has a female CEO and founder

According to him the biggest reason why the entrepreneurs found them was networks and referrals. In reference to this, he felt that as networks are a very important key to receiving funding possibly as most investors are men, this could be one issue faced by female founders. He presumed that women probably will get belittling from men, and pondered if having more women role models in tech would increase equality. The VC firm did not provide funding to companies or founders who did not feel right, and to him it was also about community and personality fit. He also expressed strongly that ideas must have a positive impact on the world, and create impact. He felt that in the Nordics women would probably be treated better.

4.3.4 Financier D

The fourth venture capital company interviewed was very new, that had been in operation for 3 months and has made one investment. The fund has 15 million to invest, and more coming. The investor interviewed, however has been in venture capital finance for 6 years, and managed another fund previously. That fund has made 16 investments all over Europe, mostly to UK. The new fund has been founded to serve a particular crowd, people who already have some career behind them but do

not know where to start. It is a very technologically focused fund, that's core principles in investing are the team behind the startup and the technological potential. They are very focused on finding unique ideas, or potential and he described the biggest reason they turned down companies was not enough market potential and the biggest reason they said yes was to team with unique technological skills. The one investment they have made, did not include any female founders.

In the previous fund he worked with, they did not either invest to any company with female founders. There were female C-level executives however, but no CEOs. Potential startups reached out to the VC company in many platforms, but networks and referrals played a big role in this case as well. The VC firm has also built a community around themselves serving as introductory path to the firm. While comparing international and Finnish startup scene, he felt that in London, for example, the founders are more well prepared, more knowledge able and further in the round than in Finland. He felt that there is no discrimination, but also explored and described the fact that people have in-built stereotypes and mindsets that affect their behavior and actions. This of course would be on play in the financing world as well, he thought. He also discussed the potential of cultural differences affecting female founders, "if communication and way of working are different, is the message coming across the same." He also pondered how the sheer difference in numbers of female and male founders affects everything, but it is hard to change. He did also feel that women might get the spot at the limelight a bit easier, since female founders are rarer which makes the press, for example, pay attention to them easier.

In general, he pondered as well how female founders seem to tougher and better everywhere, and other than that he did not see differences internationally versus Finland. According to him, successful female founders on average performed better than average men. He also discussed the possibility that investors might looking for qualities often found in men, since that is all that is known and the process could be rigged again females to begin with.

5. DISCUSSION AND ANALYSIS

Throughout these interviews patterns have started to emerge, and people from various companies and fields of business seem to have similar experiences. 11 interviews is not quantitate research, nor it is sample that scientifically could prove something definitely. However, the discussions and views of industry insiders hold great value and showcase how the industry works and what it values. Clear patterns did emerge, and in this paragraph, those will be addressed.

First pattern (pattern A) was that no one interviewed felt that there would be any discrimination in Finland. Female founders might face issues, and the field still has very small number of female founders, but no one described blatant discrimination. The question even seemed to confuse and anger some of the interviews, as an accusation of inappropriate behavior. This however does not rule out, that discrimination might happen. The findings, however, suggest that female founders do not feel like they are experiencing negative discrimination in Finland.

If there would be a pattern of discrimination, it would be more likely one in benefiting the female founders. Almost all the interviews brought up that women founders in Finland might receive positive discrimination (pattern B). This happens in the form of getting more press, receiving more speaking engagements and generally being remembered better. This is very likely to be since women founders in technological field are rare in Finland. One Venture Capital firm partner described that out of 100 companies that spoke with them, only 2 to 5 might have female founders. This leads to the few women founders receiving additional attention.

Another interesting finding from the interviews was that even though women are very underrepresented in the industry, the women interviewed were all incredibly capable, very aware of their own skills and were not afraid to compliment themselves (pattern C). All the women in this study were running their startup and actively taking charge. The male founders and venture capital firm partners were aware of this phenomenon as well, almost all of them brought up the same concept in different words. They described that women founders were more focused, ambitious, wholesome and more skillful efficient executing. It was widely theorized that this might be due to beating the odds and travelling through rougher road might lead to increased ability.

Even though female founders might not feel like they experience, and all industry players were very quick to dismiss any discrimination, after some discussion the interviewers did organically come up with various reasons for why there is less women in the technological startup field. This is pattern D, that suggests that there is underlying issues that play a role in how many women decide to actively pursue building startups and to raise external funding as well. The variety of reasons discussed varied from family and pregnancy, social norms and cultural and social differences. It could also be inbuilt discrimination in the system, meaning that if the rules and guidelines that decision on external guidelines have been created from average and women are already underrepresented, the guidelines might not be best suited to evaluate women. Possible variation of this is how different genders utilize social networks.

Pattern D would be the high value of networks in Finnish startup scene. Every venture capital firm discussed with valued referring, and every startup founder interviewed could pinpoint different social circles, actions and networks that were in great benefit in them receiving external funding. This connect to pattern E, would be that when female founders were asked generally what kind of issues they face the answers did not deviate from the male founders' answers. This suggests that women founders face the same set of issues as male founders in Finland, as any technological startup. The gendered questions even affected people to appears nervous and defensive in many cases, as the topic might be hard to address. Industry with very small number of female founders is constantly being evaluated on that fact, and it has potential to cause damage to brands.

Pattern F is how the different genders discussed the matter. Women founders did not acknowledge easily the presence of any hardships or issues, which might be connected to the drive and focus needed to build companies. If entrepreneur would think about the possibility of discrimination, it has the possibility to derail and demotivate from raising external funding. Male founders however associated the conversation and issues easily to general behavioral and social norms, such as referencing dating and family life easier than women.

6. CONCLUSIONS

6.1 Main findings

There are four main findings of this thesis. Female founders in Finland do not feel that they are experiencing discrimination or issues due to their gender. This does not rule out that discrimination happens, but suggests that the issues related to gender are not very visible, not classified as discrimination. However, if there would be discrimination to Finnish female founders it would be positive discrimination. This manifests' as increased attention and coverage of female founders in technological fields, in for example press and event space. This would be because women founders are still small minority with the industry. The third main finding would be that even though visible discrimination is not experienced by female founders by their own accord, it is highly likely that underlying issues exists that on average hinder female founders in technological startups. This does not manifest in extraordinary individuals, but rather probably in the data. More quantitate research should be conducted. The fourth main finding would be that the women founders that do act in the technological startup scene appear to be, by anecdotal evidence, very capable and as the interviews suggest even more focused and efficient than male founders on average.

6.2 Implications for international business

Startups are large part of the international economy, and external funding is on the core functions of startups in general. Startups are as well most likely born global, and often act on international scale even from conception.

The findings of this thesis can impact international business in multitude of ways, from providing guidance and information to startup entrepreneurs and financiers as well as contributing to a research field that does not have large body of work in Finland.

6.3 Suggestions for future research

During writing this thesis it has become obvious that there are multiple topics that could be expanded upon with further research.

While in this process the most imminent suggestion for future research became clear and it is the need for quantitative research into female founders in technological field either in Finland or in larger scale in the Scandinavia or Nordics. Many of the findings in this thesis could be better evaluated with proper data to research and study. Quantitative research would also be the best way to find out is the perceived feeling of not experiencing discrimination reality. Simply research into how many technology startups are started by women in Finland and what prospects they have.

Other interesting questions to explore would be matters connected to the life and experience female founders. Research considering how entrepreneurs handle family matters, and e.g. pregnancy could also be explored. Also, if the dating social norms and customs have effect on how women are perceived and act in business context would be highly valuable. Also, comparisons between industries with more equal gender distribution and the startup scene would be interesting, since one of the interviews described startup scene being highly equal compared to such. More in-depth exploration into what roles women hold in technological startups would be highly intriguing as well.

In the context of general startup scene and technology research targeted at looking what is the effect of accelerator programs in applying in external funding. Almost all the interviews described being part of an accelerator program helped them significantly, therefore quantitative research into the matter would be beneficial. In a Finland specific context, the role of Aalto entrepreneurship and different projects that have spun from it (Slush, startup sauna, startuplifters, Junction etc.) would benefit research. Research investigating the interactions and relationships between technical and non-technical founders would be illuminating to explore how technological companies structure themselves and what are the skillsets needed to run a successful project.

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